

August 17, 2022

To,

BSE Limited

:

Code No. 500031

Department of Corporate Services
Phiroze Jeejeebhoy Towers
Dalal Street Mumbai 400 001

National Stock Exchange of India Limited

:

BAJAJELEC - Series: EQ

Listing Department
Exchange Plaza, Bandra Kurla Complex,
Bandra (East), Mumbai 400 051

Dear Sir/Madam,

Sub.: Submission of the Transcript of the Q1FY23 Earnings Conference Call of Bajaj Electricals Limited (the "Company")

Further to our letters dated August 3, 2022, and August 12, 2022, and pursuant to the provisions of Regulation 30 (read with clause 15 of Para A, Part A, Schedule III) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("**SEBI Listing Regulations**"), we enclose herewith the transcript of Q1FY23 Earnings Conference Call (i.e., Post Earnings/Quarterly Call), as organised by PhillipCapital (India) Private Limited on Friday, August 12, 2022 at 5:30 P.M. (IST), whereat the financial results of the Company for the first quarter ended June 30, 2022, were discussed.

We request you to take the above on record and the same be treated as compliance under the applicable provisions of the SEBI Listing Regulations.

Thanking you,

Yours Faithfully,

For Bajaj Electricals Limited

Ajay Nagle

Head of Department – Legal (and Company Secretary)

Encl.: As above.



“Bajaj Electricals Limited Q1 FY23 Earnings
Conference Call”

August 12, 2022



MANAGEMENT **MR. ANUJ PODDAR – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER, BAJAJ ELECTRICALS
MR. E.C. PRASAD -- CHIEF FINANCIAL OFFICER,
BAJAJ ELECTRICALS LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to the Bajaj Electricals Q1 FY23 Earnings Conference Call hosted by PhillipCapital (India) Private Limited. As a reminder, all participant lines will be in the listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Deepak Agarwal from PhillipCapital (India) Private Limited. Thank you, and over to you, sir.

Deepak Agarwal: Thanks. Good evening, all. On behalf of PhillipCapital (India) Private Limited, I welcome you all to Bajaj Electricals Limited Q1 FY 23 earnings call. Today, we have with us management represented by Mr. Anuj Poddar, MD and CEO; Mr. E.C. Prasad, Chief Financial Officer. Without taking much of time, I would like to hand over the floor to the management for their opening remarks post which we will open the floor for Q&A. Thank you so much, and over to you, sir. Thank you.

Anuj Poddar: Thank you, Deepak. Good evening, everyone. Thank you all for joining us on a late Friday evening on the eve of a long weekend. I know you're all looking forward to the weekend. But thank you for being with us today for this call. I'll just make a few opening comments. I'm sure you've got the chance to go through our results as well as the investor deck that we've released. I'm pleased to report that we've had a healthy and good quarter and it's a strong bounce back from the last 2 Q1s that we've had in previous financial years. The key headlines from my side, our consumer business has continued to demonstrate good traction with good growth of about 58% Y-on-Y basis. Our EBIT has bounced back in the consumer business unlike a soft quarter that we had last year in Q1. We're maintaining our growth rate and the focus on EBIT of the consumer business. Importantly, for the EPC segment, this marks the second quarter in running that we've demonstrated breakeven results, we hope to continue to maintain profitable trend going forward. From a balance sheet and cash flow perspective, which we've always been very focused on, we've continued our track record of demonstrating strong cash conversion and positive cash flow with cash from operations amounting to about Rs. 165 crores. While we'll talk about operational aspects of all the business segments and product categories which we continue to do well, I do want to call our illumination business, which continues to gain market share has demonstrated growth on the top line, and continuously inch up on the margins and profits that it earns. And lastly speaking, I just want to point out that this is a quarter under which we've undergone transition of our operating ERP system. We've transitioned to the latest version of SAP S4/HANA. To that extent, that transition happened sometime in May. And as part of any such large transition, there are some disruptions and teething issues. So, we faced some of that in this process of transition in the month of May. And these results are despite the transition and certain amount of sales losses that we had in the month of May as part of this transition. So, with that, I'll hand it back to Deepak and happy to take questions. Thank you.

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- Moderator:** We will now begin the question-and-answer session. Ladies and gentlemen, we'll wait for a moment while the question queue assembles. The first question comes from the line of Chirag Lodaya from Valuequest. Please go ahead.
- Chirag Lodaya:** Sir, my first question was on gross margins. Q-o-Q, if I see your gross margins are up by almost around 350 basis point. However, Q-o-Q consumer margins are flat. So, just wanted to understand where is this discrepancy coming?
- Anuj Poddar:** Chirag, the gross margin you may be seeing is on a consolidated basis. And therefore, it's a blend of the consumer, illumination and EPC businesses. It's a little misleading. But if you look at our segmental results where we report our EBIT margins, etc, it's kind of flat on a Q-on-Q basis. But also, if you look at from a 3-year perspective, it's similar to, of course the significant improvement over last Q1, but I would look at last Q1 as an aberration. If you go back 3 years, we've maintained that margin. And that's despite that this year yet factored in significant commodity inflation and headwinds in this Q1 results. If you compare that also, I think the fact that we maintain those margins on a 3-year basis is demonstrable of the fact that at an underlying level, we actually delivered improvement in our margins on a real basis.
- Chirag Lodaya:** And in terms of margin trajectory ahead, how we should look at it on a Q-o-Q basis? We'll see significant improvement or you still feel there will be some pressure in the initial quarters before we start improving on your gross margin?
- Anuj Poddar:** The commodity inflation cycle started in about October, November 2020. That has gone on till about May 2022, which is this year. We started to see a little reversal in the commodity inflation and cost since June of this year and continuing into July. So, to that extent, we expect margins to start improving from Q2. But the full benefit of this commodity cost reduction and margin improvement will be seen in Q3. But here on, I think we have at the bottom of the margin and we expect to deliver higher margins going forward.
- Chirag Lodaya:** And just lastly, sir, if you can also share 3-year CAGR growth for appliance, lighting and Morphy Richards that would be helpful. You have shared on fans in the presentation.
- Anuj Poddar:** So, we don't have that 3-year that we carve out on a subcategory level, CAGR, but on an overall basis, I think it's about 7.4% on a 3-year CAGR basis for the consumer business.
- Moderator:** Next question comes from the line of Nikhil Kale from Axis Capital. Please go ahead.
- Nikhil Kale:** First part is, what was the impact of this system upgradation. You talked about there was some impact on sales. Would you be able to quantify it?

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Anuj Poddar: Hard to quantify specifically. We had about 10 days of disruption because of the system. And therefore, equivalent of 10 days loss of sales. I would say some of that we were able to recoup or make in the ensuing days. But approximately, if I were to hazard a guess I would say anywhere between Rs. 30 crore to Rs. 50 crore maybe a loss of sales that we've seen in this quarter because of this.

I just want to add to that, this is phase 1 of SAP. There's some further implementation of system that is going on now that will go on for another 3, 4 months. But impact due to that now will be minimal. But just to tell you that full implementation will happen by the Q2 quarter. But we've seen the bulk of the impact happen in Q1. We don't expect any significant impact going forward.

Nikhil Kale: I was saying you mentioned that the Consumer Products performance 3-year CAGR at 7.4%. Looking at the kind of inflation that we have had, that would kind of imply that the volume growth would be maybe in low single digits, right? So, yeah, just wanted to get some idea on, how are you looking at demand? I mean, we gather from other companies that demand has kind of slowed down in the last quarter, but what is the sense that you're getting, especially for some of the key markets for you, which might be different from some of the peers?

Anuj Poddar: So, first, let me tell you about the weakness and then let me tell you the good news. Since about 28 May or last week of May, there has been a visible slowdown in demand in the industry, I think that's across the board. And therefore, that factored into Q1 results. Also, June has been weaker demand. April-May was largely better off. We've seen some of that weakness continue into July. But August-September, we expect to see a strong bounce back. One is, actually so far in August, we are seeing some signs of bounce back. But I also see that getting accelerated because we have an early festive season this year, Diwali is on I think 24th October, other festive dates also come in earlier. And to that extent, I think the primary sales will see a pickup in August-September, and therefore we are confident that Q2 will see a healthy bounce back on an overall basis. The one part where the jury is out purely in terms of in the economy in the later part of the year, what will the demand trends, etc., be, had the inflation continued at the trajectory that it was at, 2-3 months ago, I would have had a slightly softer view. Seeing some of this, at least on our side cost pressures and inflation come down. I do think I would be slightly more optimistic now than I was 2-3 months ago and we may escape demand slowdown in the latter half of the year, which means net-net, I'm yet optimistic that Q2, you will see a bounce back in these 2 months, but Q3 may end up being a decent quarter and not a bad demand affected quarter.

Nikhil Kale: And on the margin front, I think we've done a decent job in maintaining our margins in the consumer products business. But now with some of these tailwinds kind of coming in on the commodity side, also with the expectation of improving demand, what is the outlook on the margins going forward?

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Anuj Poddar: So, a long term outlook on margins is good. If you minus these 2 years of COVID, we had given a strategic guidance that we are very conscious that as a company, we want to expand and widen our EBIT margins on consumer products where we have given a guidance about 1 percentage expansion per annum. COVID, commodity has impacted us, but we expect to get back to that in an absolute basis. So, I think we would exit this year at a good healthy run rate and get back to those trajectory by next year. Well, I don't want to give you a specific number guidance. We are clearly targeting a double-digit margin in the very near future.

Moderator: Next question comes from the line of Paarth Gala from JM Financials. Please go ahead.

Paarth Gala: Two questions from my end. One is if you can just talk a bit on the rural side of the business. Because that was one area which was under some pressure and Bajaj has a bigger presence in these markets compared to the peers. And secondly, an update on the demerger of the EPC business, what would be the status of that and we still maintain the target date. Those 2 from my side.

Anuj Poddar: Paarth, your voice was not very clear. First one, rural side and second is demerger. Is that correct? Okay, I'll go ahead and answer, I think that's what I heard. So, rural side of the business, if you recall our commentary from Q3, rural demand has been weaker than urban because our contribution or weightage of rural has been higher. So, therefore, on a consolidated basis, we've had a little slightly elevated impact of the rural slowdown. My guess is with a good monsoon, good MSP, announcements by the government, etc, we expect by end of Q2/Q3, we would see a bounce back in the rural demand, and we should be beneficiaries of that. It's a little early to say, but that's our outlook right now in the rural demand side. On the demerger, the schemes have been filed with the stock exchanges. We've had a few iterations in terms of queries and responses with the stock exchange. When I say stock exchange, that includes SEBI related queries that get routed via the exchanges, we would expect unless there's any further queries, we will have full approval from the exchanges within this month post which we will be filing for NCLT approval. It is very hard to put a very specific timeline to NCLT. I do understand that there are some vacancies in the NCLT because of which that process may be longer than originally anticipated. Our internal target for that was to actually get the approval by the Q3 quarter this year, but latest by fiscal end. I think currently it looks like fiscal end which is a JFM quarter more likely where we should have all approvals. But we will keep updating you as and when we have more visibility on this.

Moderator: Next question comes from the line of Hitesh Taunk from ICICI Direct, Please go ahead.

Hitesh Taunk: Sir, my first question is on the pricing front. Sir, how much price hike have you taken during this quarter?

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Anuj Poddar: So, Hitesh, we had taken approximately a 5% hike on an average across various categories in the month of April. We had planned a further hike in May-June which we did not take given that visibility of commodity price is starting to cool off. And we do not anticipate now any further price hike at least visibly as of now.

Hitesh Taunk: Sir, the second question is on our advertisement expenditure front. This quarter we have seen a kind of increase in the advertisement expenditure to about 3 to 3.7% on the sales. So, is this a kind of expenditure we are going to maintain or will it be a slowdown going forward?

Anuj Poddar: So, our general guidance has been that ad expense will be between 4% to 4.5% on an annualized basis. It has been slightly lower in the last 1 or 2 years. As the COVID or margin pressure goes away, we actually expect to normalize at that 4% to 4.5% on an annualized basis. On a quarterly basis, there will be some swings based on seasonality of campaign, but annual basis, that's the number we expect.

Hitesh Taunk: And sir, my next question is on the Morphy Richard front, we have seen a kind of decline on that segment. So, is there any specific reason you want to contribute? Or is it a kind of a normal phenomenon in this quarter?

Anuj Poddar: No, I don't think it's a quarter phenomenon. So, 2 answers to that. Number one, in last 12 to 15 months of significant price increase, there has been a conflict between online and offline channels which has been very acute, because pricing strategies by both channels have been very different. And I'm not just talking about us, but the players in the market. To that extent, Morphy has borne a much greater brunt of this channel conflict, given its unique positioning and scale in niche segmentation. Going forward with this pricing, price kind of stabilizing, etc, we think the price conflict that has been there between the channels will normalize. And therefore, to that extent, the brunt that Morphy was bearing will now ease out. But the larger strategic view on that insofar as you know, we've had short term relations and deals with Morphy, now we have signed a 15-year association. On the back of that, we are now putting together a completely revamped strategic roadmap for growing Morphy business, including a complete relook at its product portfolio and go to market and brand strategy, that will play out over the next 18 to 24 months, and we have a very clear visibility on how we'll drive that growth. But some of that is something we start seeing from next year onwards in terms of the results of that plan that we're rolling out.

Hitesh Taunk: And sir, my next question on the market share front, I mean, we have gained substantial market share over the last 2 years in our different product categories. Was it continued currently in this quarter also? And if you can share some market share for the leading products, that will be great.

Anuj Poddar: So, while we don't publish market shares, in numbers, we have gained market share, particularly in fans where you see our growth has consistently been higher than industry in the last 4 to 5

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quarters. Lighting, we're starting to see greater trajectory versus before. Consumer lighting, we've been gaining share. We've gained share in this quarter too, we expect that to continue. Appliances where we had a dominant share, we are looking to defend that and we have other segment wise approach where in certain segments within appliance business we expect to gain share.

Moderator: Next question comes from the line of Akhilesh Bhandari from ICICI Prudential AMC. Please go ahead.

Akhilesh Bhandari: Sir, you mentioned that demand is improving and also now that the commodity prices have also softened a bit. Can you just give your qualitative comments regarding how much given the relatively high competitive intensity in almost all the categories, how much of the commodity price decline benefit perhaps would have to be passed on to the consumer or would be passed on to the consumer by the industry and how much can be kept?

Anuj Poddar: So, to be honest, Akhilesh, some of that is more tactical, and you know, different players have a very different approach to how they balance between margin protection versus price pass on. From what I know, couple of our competitors have done that in June/July, but I would not react to every tactical move, because we have our trajectory and what we are planning to do, I don't see any fundamental shift happening on that. Those are more short-term tactical things on a particular month directionally. Structurally, I think, we will see margin increase for all of us including Bajaj Electricals, and at an overall level, we are confident that we'll see margin increase, while yet continue to drive market share growth. So, that on a not just long term, but even on an annualized basis, we will deliver on both of these aspects.

Akhilesh Bhandari: And sir, looking at whatever price increase you have taken over the last 1 year and also comparing that to what has been the commodity price increase till the end of the first quarter, what was the gap between the price increase versus the blended cost increase? Just a broad sense if you can give.

Anuj Poddar: So, at a very broad level, I think, for the last 4 to 5 quarters, we've been running at a lag of 2 to 3 percentage points, because of this calibration between when we're taking a price increase to the cost increase that we've been facing. That would have been the case in Q1 also had the commodity costs not started softening up. So, I think from the second half of this quarter when you've seen that and therefore, that is starting to reverse out. I think by August 15 onwards that should have neutralized. So, without taking a price hike, I think August 15 to about September end, we should be back to having fully covered for or negated the impact of the cost side pressure that we had.

Akhilesh Bhandari: And sir, last question from my side. So, a couple of players who had hosted the call who had declared the results earlier had called out some amount of channel destocking because of the

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expectation of price cuts by the brands. According to you, has that affect now ended or some of that is still continuing?

Anuj Poddar: Akhilesh to be honest, because our model is different, we do not have channels carrying significant stock because of our TOC model, etc. So, in general channel stocking except for certain product categories, where they may have had a scheme for which they've done that, we do not have that problem. So, I frankly don't have any data to share with you. We do not have that either on the high stocking or on the need to clear that out in upward or downward level either which way. So, our primary and secondary sales are typically more closer to each other most of the time.

Moderator: Next question comes from the line of Charanjit Singh from DSP. Please go ahead.

Charanjit Singh: So, on the appliances side, if you can give more color on the mixers, water heaters while it was not a very seasonable quarter for water heaters, but how these categories are performing for us and how's the outlook? Because now kitchen is one of the segments where we are seeing increasing focus on lot of other players also. So, how we are trying to position in terms of economy versus premium within these categories? That's my first question, sir, on the kitchen appliances side.

Anuj Poddar: So Charanjit, on an overall basis, we've given appliances growth, it's a healthy growth that we've had. Our focus is appliances, and we are chasing significant premiumization in fans, appliances we're not that far out, but there is sub segments as I mentioned initially, where we think there are certain whitespace or weaknesses at a subsegmental level, let's say, mixer grinder of 750 Watts and above, etc, that we have pockets that we need to spend in. Similarly, on water heaters, certain types of water heaters, etc, is where we are looking actually and so on and so forth for different appliances. The other approach to that really is at a geographical level while overall we are strong, there are you know, geographical pockets, where we need to strengthen market shares and the third piece is really between urban and rural. So, for us, the appliance spending is coming from these tactical things either at a subsegmental level, where we are paying that and because we know we have some of those gaps, which we're actively working on. Therefore, we are confident that while you may have more competitive intensity and new players coming to appliances, we do have growth avenues as we fix each of these things and we will gain market share on an overall basis.

Charanjit Singh: So, sir, as a category kitchen appliances, what will be the market growth, which you would be expecting. And from our growth perspective, can we be higher or in line with the market thereon?

Anuj Poddar: So, if you look at an overall industry level, which is not the top 3 or 4 players, we have been and we will continue to have higher growth, so which means that gaining market share. There will yet be the long tail unorganized players that are losing share and we will continue to gain share.

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But our game is not just against them. So, even amongst the 3 or 4 players earlier points that I mentioned, we know that we are under more intensity of competition in this appliances category, but we do have a clear vision and roadmap. You will see a lot more launches in the next few quarters which will demonstrate our plans for these categories.

Charanjit Singh:

And sir, on the lighting side, in terms of the B2B market, how is that shaping up? And when do we start seeing, these new launches of battens, panels and downlighters starting to contribute to the, you know, lighting revenue. And how large is the potential for these new products which we've launched in the lighting side?.

Anuj Poddar:

You said B2C, right?

Charanjit Singh:

B2B, you know how that is going to scale up because that is where we are hearing from...

Anuj Poddar:

So, I was confused because of mention of panels and downlighters because that's in the consumer side. So, let me first talk B2B (professional) lighting. That's the part that we've done very well last 2 years, we've done that business around, even if you look at last year which was fully year FY22 in a market that degrew, we actually had growth which means a significant increase in market share. We are almost close to number one in the B2B lighting space. This quarter too, we've had a small growth, but growth in the market that has degrown in this Q1. Our bottom line of profitability in that turnaround, we had a breakeven last year and this quarter, we had a slight further expansion of margins, we will continue maintaining both these trajectories. We will continue drive growth in the top-line in B2B though that may be single digit because overall market industry is weak and will demonstrate growth and expanding margins, the bottom line. That's in the back of many launches, that's more sector or vertical focus, stadium, metros, indoor, streetlights, etc. It's a very segment, sector driven product strategy that we have, both for us. On the B2C side which is the consumer side that's been the big delta for us because that's where we had been lagging significantly. We did not have the right product range with us. We were not LED focused. Our share of LED is now between 85% to 90%. That's a continuous improvement that we've had. Within convention lamps, our share of downlighters, battens, recess, panels, etc is increasing. And you will see a lot more launches on that on the B2C side over the coming quarters. And lastly, structurally, we have from first of July carved out and created a unified lighting segment which is a consolidation of the B2C and the professional lighting. And on the B2C which is consumer side, we are now creating a separate go to market or sales team, which is not what we had earlier, that will be fully in place by end of September. So, you will see the benefit of our revamped go to market also on the consumer lighting side.

Charanjit Singh:

Just last question from my side. in terms of mix of in house manufacturing and also in appliances, lighting and fans if you can just share that number.

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Anuj Poddar: So, our in house has been in the 15% to 20% range, our guidance has been that that will continue to grow marginally, 3 years out that should be closer to 25%, 30%. But what's changed and has continued to change even within this right now is a mix of what we're making in house versus what we're doing outside. So, for example, mixer grinders that we never used to do in-house, now we are assembling those in-house. The capacity or range of water heaters that we're doing in house has gone up. In fans which we used to do in house, we moved up, we've set up a new paint workshop, etc. So, from making just a lower end sub economy ceiling fans, you will see us start to move that upwards to making more premium fans in house. In last year lighting, which is I think more commoditized that is where we're reducing our mix of in house manufacturing. So, while in overall company level it'll increase, but the mix in that across these product categories is changing significantly. That's driven more by strategic agenda in terms of what we want to focus on internally.

Moderator: Next question comes from the line of Rakesh Roy from IndSec Securities and Finances Limited. Please go ahead.

Rakesh Roy: Sir, my first question is regarding sir, can you highlight for next 1 year, sir, any new launches or new product addition in your CP business?

Anuj Poddar: Sorry, I didn't get it. Do we have new launches is the question or what are the new launches.

Rakesh Roy: New launches and product additions in CP business.

Anuj Poddar: We'll keep continuing to have that like you've seen in the current investor deck also we highlighted some of these launches, we will have that across categories. My guess is what you will see in the next Q3 and Q4 will be more than what you've seen in Q1. But in terms of specific launches, of course, for competitive reasons, we'll rather share that as and when we make those launches here.

Rakesh Roy: Sir, any plan to add any new product in your CP business in near future, in next 1 or 2 years to increase your basket, sir?

Anuj Poddar: So, in terms of future, if you mean as a subcategory or category by itself, yes, we are evaluating various things but as and when we are ready to have firm that up or announce that, we will do that.

Rakesh Roy: Yes. For example, you're trying to enter switch or wire business?

Anuj Poddar: So, that I can confirm to you. We're not going to do switches. We're not looking at doing wires and cables. And we're not looking at large white goods, refrigerators, air conditioners, or for that matter water purifiers. At least these are clearly something not on the table for us.

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- Rakesh Roy:** Can you share your volume growth in the CP business? How much the volume is there?
- Anuj Poddar:** Volume growth in Q1 you mean?
- Rakesh Roy:** Yes, sir.
- Anuj Poddar:** So, Q1 has been significant volume growth, if you look at the fact that we've had about a 5% price increase and 58% YoY revenue increase. So, rest is all contributed by volume growth here.
- Moderator:** Next question comes from the line of Harshit Golecha from Flare Capital. Please go ahead.
- Harshit Golecha:** Sir, are we planning for any inorganic growth in near future or something, say, after 2 or 3 or something like that?
- Anuj Poddar:** Harshit, that's very speculative. Of course, this is to be opportunistic. As and when, we get an opportunity that makes sense, we will. Let me just say that every opportunity that comes we do look at it now, which is different or change from 2 years ago when we're not even looking at those. So, we do actively evaluate every opportunity that comes, but finally it has to meet our strategic and financial parameters and as and when that happens, then we'll be happy to share that. We are very open to inorganic also. Whether or not something will happen, time will tell.
- Harshit Golecha:** Like our interest will be without white goods, right? Not ACs or washing machines or like that?
- Anuj Poddar:** Yes, we will not look at white goods or ACs even in inorganic way.
- Harshit Golecha:** So, our plan will be only for kitchen, etc., correct?
- Anuj Poddar:** It's hard to say what we may do, it may be closer adjacencies, etc. But I can rule out AC, refrigerator, etc..
- Moderator:** The next question comes from the line of Akhilesh Bhandari from ICICI Prudential AMC. Please go ahead.
- Akhilesh Bhandari:** Thank you for taking my question again. Sir, can you give an update on the Nirlep? How is it scaling up? You were looking to improve the distribution and product launches in that area. So, how are things shaping up there?
- Anuj Poddar:** To be honest, Nirlep is yet right now relatively weaker than many of our other product categories. I think it has a long way to go. Some of the scaling up of distribution, etc. while we've done that, but benefits of that are yet to play out. I think we're going to be another 3, 4 quarters before we see real improvements in the Nirlep. So, right now that is a soft performance for us here. One other announcement related to Nirlep, which our board has approved today, there is an enabling

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provision to review or evaluate ways and means of consolidating Nirlep into Bajaj Electricals, that's in line with overall intent to simplify our corporate structure and have minimal entities as required so that we can do that. So, that's an in-principle approval. We will now work on specific modalities, options to drive the consolidation, and then, come up with a scheme at the right time.

Akhilesh Bhandari:

And given that you're implementing a lot of things and looking to gain market share across segments, can you just call out what is the order of priority for all the things because you're looking to do things in Morphy Richards, Nirlep, gaining market share in fans, lighting. So, what is the order of priority if you can call that out?

Anuj Poddar:

Good question, Akhilesh. We have a lot on our table, fans, lighting, normal appliances, Nirlep, Morphy, etc, that you said besides all the other organizational things. so we have to keep balancing these things. As a principle, we are aggressive, which means internally also aggressive and pushing a lot of these things, but we are conscious that we don't push to a breakpoint. If I just put it in a more obvious sense, the larger things that we have to solve for or which are greater delta priorities. Of course, fans, lighting, etc, is now much larger for us today. And therefore, you're seeing more movement from us right now on that piece. As we start to see some of that too, which is already starting to fructify, but as that starts coming to an autopilot mode, therefore, for example, Morphy I told another 18-24 months out, you'll start seeing more momentum on that and so also for Nirlep. So, we have sequence some of these priorities out and you're seeing that in terms of what we are reporting also.

Moderator:

Next question comes from the line of Chirag Muchhala from Centrum Broking. Please go ahead.

Chirag Muchhala:

Two questions. So, first is I mean just as the continuation of the question, so for the 2 other subsidiaries and associates with the Starlite and Hind Lamps, I mean any plans to keep them as a separate subsidiary or integrate them also with Bajaj and specifically for Q1 and near term, how do you see that impacting your overall financials in terms of, I mean, the subsidiaries making losses or needing further capital infusions from Bajaj standalone entity?

Anuj Poddar:

Chirag, I'll just ask our CFO, E.C. to update on the status on the Starlite, and then maybe I'll try and answer the question on the impact.

E.C. Prasad:

Chirag, Starlite merger is in the final stage of the NCLT approval and we expect the approval from the NCLT to be received by the end of Q2 or latest by the beginning of Q3. That's the update as far as the merger of Starlight is concerned.

Anuj Poddar:

In terms of impact or benefits of that, mathematically, it's the same thing because all the results of that fold into consolidated results of Bajaj Electricals. That said, reality on the ground having 2 separate entities does create more work for us, ends up requiring more resources in terms of people and there's a constant funding exercise required for Starlite as you know, as a legacy has

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had funding losses or funding gap. So, the fact that once it's merged, I think some of these irritants or things that drain energy or time or funding, optimization I think to that extent you will see an improvement and make things far more seamless and smoother for us. And therefore, I wouldn't say that's a significant profit bump up for that, but at least to a smaller extent that the efficiencies should improve with this in consolidation. And the same will hold true for Nirlep as and when we execute that which I've given a guidance on the earlier question.

Chirag Muchhala: And on Hind Lamps, sir.

Anuj Poddar: Nirlep, right?

Chirag Muchhala: No, Hind Lamps

Anuj Poddar: Hind Lamps, so that is all done. There's nothing now. So, with Hind Lamps, the operations that were there, they were demerged from Hind Lamps, and had folded into Bajaj Electricals, I think June 2020. So, there's nothing further to be done really on in lamps now.

Chirag Muchhala: And just for the sake of accuracy, the 4 sub categories that we have, fans, appliance, lighting and Morphy Richards, is it possible to view the revenue in absolute terms? I know in PPT, you've given percentage growth. But since Q1 last was a very, I mean, abnormal base, if it's possible, please give the revenue in value terms?

Anuj Poddar: Chirag, to be honest, we did give that out in our annual deck at the end of Q4, but on a quarterly basis we'll not be able to do that for competitive reasons, because none of our competition does that.

Chirag Muchhala: And sir, last question on especially on fans and water heaters, so while you mentioned earlier that a couple of your peers have taken price cuts recently in June, July as commodity prices started softening, but we have not taken any price cuts in this category in June-July month. Is that assumption correct, sir?

Anuj Poddar: That's correct. So, we have not taken any price cut and when I refer to competition that was particularly for fans that I understand 2 players have done that.

Chirag Muchhala: And we do not even see any need for price cut considering that fans, unfortunately, as you mentioned that post 20th of May, there was softness, so part of the summer season was a lot in terms of secondary sales and channel inventory. So, I mean, there is no, I mean, likelihood of us taking any price cuts in fans. Is that assumption, correct?

Anuj Poddar: Yes. As on today, I don't expect. Time will tell in future if something else changes. The other aspect in fans remember is that the compulsory star rating is kicking in. This July to December

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is the transition period and from 1st January it will be 100% implemented. To that extent in a normal case, one would have seen a price increase, cost increase to comply with the star rating and energy efficiency. But given that this commodity pressure is up, maybe one will be able to drive that conversion and offer energy efficient time without a price increase. But therefore, to that extent and an overall basis, a price reduction may just neutralize versus this transition to energy efficient fans.

- Moderator:** Next question comes from the line of Aakash Fadia from Yes Securities. Please go ahead.
- Aakash Fadia:** Sir, where are we in our logistics cost sharing initiatives currently? So, has full benefits being realized, but we are still undergoing cost?
- Anuj Poddar:** No, Aakash, my short, candid answer is we've not yet realized the full benefits of that yet.
- Aakash Fadia:** How long it will take to sir to realize the complete benefits of this initiative?
- Anuj Poddar:** I'll again be candid, we should have had it by now we've not had it, but we are on the job.
- Moderator:** The next question comes from the line of Achal Lohade from JM Financials. Please go ahead.
- Achal Lohade:** While you did talk about the volume growth, implied volume growth on a Y-o-Y, is it possible to have some color in terms of how the volume growth the CAGR given last 2 years were impacted because of COVID? Three-year for fans, lighting, water heaters, small appliances?
- Anuj Poddar:** Achal, we'll have to look at that at the three-year category level, maybe we'll come back to you on that piece. Again, my short answer is if you look at FY22, in most cases, there was a volume degrowth. So, the growth in revenues was driven by price increase, I expect that to start reversing out this year, you will not have that much of a price increase. So, any growth that you have now will be driven more by volume, but on a 3-year category wise, we will have to look at that and come back to you.
- Achal Lohade:** The second question I had, specifically with respect to the lighting business. Now, like you mentioned, you've gained significant market share in the professional lighting. Can you help us understand what the market size for consumer and professional lighting and what are the key changes which you have done to see this market share improvement in both consumer and professional side?
- Anuj Poddar:** So, very broad numbers in the professional lighting, industry size should be about Rs. 4500 crore and on the consumer lighting about Rs. 10,500 crore, okay. That's a very fragmented market, particularly consumer lighting has a lot of players, etc. Sorry, the second part of the question is what have we done to you know, drive market share?

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Achal Lohade: You mentioned professional lighting has seen a decline in terms of the industry growth. And I don't think you've commented specifically on the consumer lighting. How that industry growth has been? Has that also seen a decline or it's kind of stagnated or evened out?

Anuj Poddar: The consumer lighting has not seen so much a decline on an overall basis. But there I think we're seeing, it's a very, very fragmented long tail industry. There we're seeing a much sharper shift from the fragmented long tail unorganized or smaller players to larger players. I think that trajectory will continue next 2, 3 years because it was a long tail because it was operating at the very bottom end of the market, a very commoditized, cost driven and if you look at from a 3-5 year length, LED prices have been continuously coming down. And therefore it had become a very price driven market. LED prices, the rate of reduction, price erosion has really bottomed out. So, it's no longer a price driven market. And therefore, it's moving to a proposition of product driven market even on the consumer side. And as that happens that helps, so acts as a tailwind for the larger, better quality players with better R&D. And therefore, we see a market share increase happening for us and or other leading players where we will deliver on that growth and increase in market share in the back better products. For us and Bajaj in particular, I do think we had been behind the curve on consumer lighting not just on the shift to LED, but introducing value added products, battens, panels, downlighters, etc. But that's the catch up that we're now playing. And we will play that aggressively over the next couple of years. And therefore, we are confident that we will gain in the consumer lighting.

Achal Lohade: And just last question, if I may. Talk a little bit about how you strengthen the team the leadership team in terms of the various product segments?

Anuj Poddar: So, you know, we made some public announcements, the most recent key announcement is we've restructured, so the lighting business which was split with consumer lighting being part of overall consumer business and professional as EPC, we brought it together as one unified lighting business segment that is headed by Rajesh Naik, he had joined us in December 2019. He was heading the professional lighting. He's been instrumental in turning that around and going and now will drive the overall lighting business. Under him, like I mentioned earlier, we're setting up. So, we have now got a dedicated lighting sourcing, supply chain team for this. We've got a dedicated lighting quality, lighting marketing. We're beefing up all of those functions under that and most importantly, a go to market and a separate sales team for consumer lighting, which is not what we had earlier. On the leadership side on the other hand of the consumer business which the rest of the consumer, that is fans, appliances, Morphy Richards, Nirlep, etc, we've got a new Chief Operating Officer, Ravindra Singh Negi. He's joined us. He was the head of the consumer products business at Havells. He joined us in July. Therefore, there again we have an integrated, strong leadership in place for that. Under each of these, of course, we have the second line of leadership that we have strengthened and are continuing to strengthen. At the corporate side, similarly, we have strengthened the team and which we'll continue to do. What is not visible is more the middle and junior management or junior levels, also, there's a lot of churn that is

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happening in terms of strengthening the talent pool that we have. So, overall, as an organization, we are a very different organization. And that investment in talent is something we're very committed to because I think that will be key to professionalizing and performance going forward here.

The most recent one, if I may talk about it myself is the announcement that we made today of splitting the Chairman and MD role. So, Mr. Shekhar Bajaj will now continue as Executive Chairman, and he's relinquished the MD role and passed that on to me.

Achal Lohade: Just is there anything left to be done which is still kind of significant or meaning which is yet to be done?

Anuj Poddar: Absolutely. There's lots and lots and lots left to be done. So, if you also see one of the other decks that we put out, this is only horizon one in our strategy. Now to deliver horizon 2, which is really about growth and operational excellence, we have our hands very, very full. So, we have a very clear roadmap. We have many initiatives to do and we are very committed to delivering on this.

Moderator: Next question comes from the line of Amit Mahawar from Edelweiss. Please go ahead.

Amit Mahawar: I just have 1 question, sir. Basically, as you consolidate the entire business structure, what is the specific allocation to each business? So, to talk about Nirlep or talk about Starlite, I just want to understand maybe in the next 1 to 2 years, how much is going to be the investment in each businesses specifically? That's the first question.

Anuj Poddar: So, Amit, hard to quantify that, because that's not the way we're looking at it. Each business, whatever it requires, we will make that happen. Our view is, these are not really financial investments, they're all if you look at consumer business or lighting business, and now the rest of EPC, financially, they're all profitable. So, they will have internal accruals to do that. So, except the one piece I'll put out is some CAPEX for manufacturing, which I've been guiding at 15% going up to 25%, 30%. We have that in the back of our mind, but maybe that's 2024 thing, we will come back at that point to look at that. But again, that will not be some Rs. 300 crore, Rs. 500 crore, it will be maybe a smaller number than that. In terms of, to me, the investment is not so much of money, but people and therefore, this focus on strengthening management, leadership talent across the board, because, like I answered to one of the questions earlier, we have a lot to do, we cannot do all of it sequentially. If we're hungry and, aspiration, we have to do a lot of that in parallel. And therefore, the allocation of energy or resources in terms of people talent, so that we have all of this happening parallel, that is what we are focused on as an organization. So, to that extent, our commitment to invest in talent or R&D, so all of these things move in parallel. So, 2, 3 years out, you should start seeing a payoff on multiple fronts, rather

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than have it all sequential. So, I don't know if I was able to clarify or answer your question, but that's the way we look at it.

Amit Mahawar:

Yes. Fair. And maybe second question, Anuj is generally, we've seen a lot of leadership rejig in Bajaj and I think in last 1 to 1.5 years, 2 years, you've actually set a very strong and robust process in the organization. So, I just want to understand, how will your appraisal policies be, the ESOP structuring? Is it in line with the best? How will you attract more talent and avoid drain of talent now that you've set processes and systems on place? Thank you.

Anuj Poddar:

So, first, the policy or principle statement, our vision is to be the best-in-class organization in our industry. And when I say that for our industry, it's beyond the benchmarks of our industry. We're looking at other companies and other sectors that have a more superior approach to all of these things, institutionalizing how they run the organization or culture, the talent pool, the performance appraisal management system, etc. And to that extent, there's a lot of work that's going on internally with Korn Ferry, with others. We revamped our PMS, our variable components are much higher than they historically used to be. Our approach to driving performance at an operational level is rejigged. Our ESOP will probably undergo a review next year, we're waiting for the demerger to be completed. And then for both companies separately, we'll also review the ESOP scheme. But you know, this is a continuous dynamic process. So, we are very clear what is required and we'll keep making those changes. The larger vision to that is to be far more institutionalized. So, it is not meant to be driven by 1 or 2 people, but can we create an organization that is institutionalized that can therefore chase multiple initiatives or goals, and work at a far more greater speed. Again, things like the SAP transition that I spoke about, these are long overdue. And unless you have those robust systems processes, these are, to my mind, the building blocks on which we will then mount aggressive growth going forward. If I can point back to that investor deck that we put out in early July, and that horizon 1, horizon 2 is really about that. So, really putting in place all those building blocks, we have another 6, 9, 12 months to put that in place. So, that next 3 years, we're really got to look at building off these building blocks to have faster growth here.

Moderator:

Next question comes from the line of Chirag Lodaya from Valuequest. Please go ahead. Yeah,

Chirag Lodaya:

Sir, can you share the update on NPD as a percentage of sales and premiumization share, how it has moved for us?

Anuj Poddar:

We don't normally publish that; we made an exception in that July investor deck to share the contribution of new product launches to give you a sense that we made significant improvement. Even this quarter, our contribution from new product launch is higher than the previous quarters on Y-on-Y basis, etc. So, we know that's a key metric that our R&D is driven by. We just look at this number of launches that we're doing, therefore, that way, pointing to or giving an indication that our share on new product launch is going up. Again, I'm sorry, I'm not giving

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absolute numbers. But again, if we look at, let's say, fans as a category, fan used to be sub economy, if we look at the three examples that we've damaged, given this today's quarter deck, one is an ABS, and we never had a plain ABS segment. Second is a decorative premium plan. Again, that was a large white space for us. And the third is a 4-star energy efficient, but inverter technology, all of these were, segments that we were not operating in. As we start entering these sub segments of product categories, our share and contribution coming from these new product launches is increasing. So, we have a clear target in the next 2, 3 years, you will see that on par with the best of the players in the industry.

Chirag Lodaya: And sir, is it fair to assume that incoming quarters we will see positive volume growth and the last few quarters is because of the sharp price increase, etc, the volumes were under pressure. But is it fair to assume that, remainder 9 months we can be positive on this growth overall?

Anuj Poddar: That's correct. So, Q2, like I said, will be a blend of some of the legacy inventory, higher cost inventory, but we'll start seeing an improvement in Q2, but I think the more benefit of that should come through in Q3. You should see or we should see margin improvement with this commodity costs having cooled off.

Moderator: Next question comes from the line of Rakesh Roy from IndSec Securities and Finance Limited. Please go ahead.

Rakesh Roy: I have one more. Sir, can you highlight on fan business, how the economic segment is contributing, government segment or premium segment in fan business?

Anuj Poddar: Sorry, Rakesh, I couldn't hear you clearly. Hello. Premium in fans would be about 20%.

Rakesh Roy: And economy and mid, sir?

Anuj Poddar: Economy and mid would be another 20 and rest would then be the lower segment here.

Rakesh Roy: Okay. So, this is for Q1 and Q4 FY22 this was same?

Anuj Poddar: No, it was slightly lower which means premium I think was about 14% to 15%, and I don't remember offhand the economy and the mid segment.

Rakesh Roy: Okay. Same question, sir. For any target, any target to increase the premium from next 1 year? How much do you target for?

Anuj Poddar: I don't have a numerical time. Good for that. But the fact is, like I gave a few examples, we've typically been weak because we didn't have products at all in the premium fan segment. If the question is particular fan. As we're starting to introduce this, and both its brands and Aster

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models that are their machine, both have got good traction and feedback from the market. But you know, we're also conscious that 1 or 2 models will not do it. So, as we expand that range, we expect to see an expansion in the share contribution of in those sub segments.

Rakesh Roy: Do we see more new launches in premium family near future?

Anuj Poddar: Yes, absolutely. When again, you know, we're basing up for next year next season. So, we'll see that gradually happened right from now till next summer season.

Rakesh Roy: So, overall, we are number 3 and number 4 player, sir, in fan.

Anuj Poddar: And we're number 4, number 5. So, between 4 and 5, both are similar. Okay, so the number was seven two years ago

Rakesh Roy: In premiums or economy, can you highlight on this one, sir?

Anuj Poddar: Sorry, your question any highlight on premium and economy?

Rakesh Roy: In premium how much market share we have got?

Anuj Poddar: That's what I said earlier. Market share you mean?

Rakesh Roy: Yes, market share.

Anuj Poddar: No, we don't publish that. But we will be very small. So, while we're number four, number five overall, I know ranking premium will be you know, worse than that. So, that's the catch up that we're looking to play at.

Moderator: As there are no further questions, we have reached the end of question-and-answer session. I would now like to hand the conference over to the management for closing comments.

Anuj Poddar: Thank you very much, once again for joining us today. And I know it's a Friday evening, long weekend coming up. Once again, I would like to know that we are happy with our Q1 results and I would like to acknowledge our team that is delivering this. We remain confident about what the future holds for us. We are committed to add value to all of you. Thank you very much.

Moderator: Thank you. On behalf of PhillipCapital (India) Private Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.